

Internal Revenue Service

**District
Director**

Department of the Treasury

1100 Commerce St., Dallas, Texas 75202

Date: MAY 11 1962

Person to Contact:

Telephone Number:

Refer Reply To:

Dear Sir or Madam:

We have considered your application for recognition of exemption from Federal income tax under section 501(c)(04) of the Internal Revenue Code.

You incorporated under the [REDACTED] Non-Profit Corporation Act on [REDACTED]. Your purpose as originally stated indicated you would operate an annual automobile street race for benefit of various [REDACTED] area charities and any and all related purposes.

You provided Restated Articles of Incorporation which state in part ".... Corporation is organized to provide community assistance for the operation of an annual automobile street race in [REDACTED]." There is no evidence these Restated Articles were filed with the State.

Your activities were described as follows:

"The Corporation will attempt to bring an automobile race or automobile races to the [REDACTED], [REDACTED] area. The corporation will provide volunteers and community support for the conduct of any race. The organization is currently soliciting members. the primary purpose of the corporation is to assure a successful event and by so doing, bring publicity and business to the City of [REDACTED]."

The racing event you plan to sponsor is for professional drivers. Your source of funds will be from membership fees and sponsorships. Your expected annual expenditures are budgeted between \$[REDACTED] and \$[REDACTED] for each of the three years budgeted. The largest items are printing and promotional materials and dues. The dues are paid to either the [REDACTED] or [REDACTED]. Each of your members is required to join one of those entities.

Section 501(c)(4) of the Internal Revenue Code provides exemption for:

"Civic Leagues or organizations not organized for profit but operated exclusively for the promotion of social welfare..."

Section 1.501(c)(4)-1(a)(2)(i) of the Income Tax Regulations provides that:

"An organization is operated exclusively for the promotion of social welfare if it is primarily engaged in promoting in some way the common good and general welfare of the people of the community. An organization embraced within this section is one which is operated primarily for the purpose of bringing about civic betterment and social improvements."

Rev. Rul. 74-298, 1974-1 C.B. 133 indicates a nonprofit organization, whose membership is limited to local residents, and whose sole activity is sponsoring an annual professional golf tournament for which it leases a golf course and charges admission, is not operated primarily for the promotion of social welfare and does not qualify for exemption under section 501(c)(4) of the Code.

You resemble that organization in that you also sponsor a professional sporting event that is normally operated for-profit. The fact that you only promote the event rather than actually run the event itself does not distinguish you from that ruling. Furthering an activity that does not qualify for exemption is grounds for denial as is carrying on the actual activity itself.

Accordingly, you are similar to the organization described in Rev. Rul. 74-298 and, like that organization, do not qualify for exemption under section 501(c)(4) of the Code and should file Forms 1120.

If you do not agree with these conclusions, you may, within 30 days from the date of this letter, file in duplicate a brief of the facts, law, and argument that clearly sets forth your position. If you desire an oral discussion of the issue, please indicate this in your protest. The enclosed Publication 892 gives instructions for filing a protest.

[REDACTED]

If we do not hear from you within 30 days, this letter will be our determination in the matter.

If you agree with these conclusions or do not wish to file a written protest, please sign and return Form 6018 in the enclosed self-addressed envelope as soon as possible.

If you have any further questions, please contact the person whose name and telephone number are shown in the beginning of this letter.

Sincerely,

[REDACTED]

District Director

Enclosures:
Form 6018
Publication 892